

IDAPP
PO Box IDAPP
Deerfield, Ill. 60015
(312) 948-8620

Student Loan Secondary Market

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IDAP
1981/82
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ILLINOIS DOCUMENTS

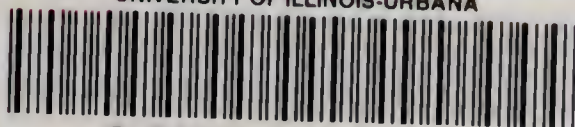
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ILLINOIS STATE LIBRARY

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ANNUAL REPORT

UNIVERSITY OF ILLINOIS-URBANA



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IDAPP PROVIDES ACCESS TO STUDENT LOANS

IDAPP is actively working to achieve the basic goal that no Illinois student be denied an education due to a lack of funds. The attached report reflects our progress toward achieving this goal in FY82. Since IDAPP's inception the dollar amount of Illinois guaranteed student loans has increased from \$51,912,668 in FY77 to \$436,380,452 in FY82 which is more than an 840% increase.

Market studies continue to show that IDAPP is the single most important factor in creating the increase in availability of student loans. There are many reasons for the increased demand for guaranteed student loans ranging from inflation to the Middle Income Student Assistance Act. However, Illinois lenders state that without IDAPP they would have to restrict the availability of guaranteed student loans to certain borrowers.

THRU SERVICE TO LENDERS

IDAPP increases access to student loans by eliminating the single most expensive administrative cost of student loans — non-routine collection costs. During FY82 some 635 lenders out of a total of 998 IDAPP lenders used IDAPP's services. They sold \$20,799,861 in accounts bringing the total sales to IDAPP to \$54,885,009. IDAPP paid 100% of principal and interest to lenders within 10 days of receipt of a complete account.

MAINTAINING A STRONG FINANCIAL POSITION

The first obligation under existing contracts is to protect the security of investors. All interest, principal and debt service reserves were funded as the top priority. Net income increased to \$3,820,007 of which \$342,468 was applied to the debt service reserve. Total assets increased from \$54,702,344 to \$88,376,826. Total program equity increased during the year from \$5,056,852 to \$8,876,859. Under IDAPP's contract with investors, this increased equity will provide additional security until the outstanding bonds and notes are retired. At that time all excess funds will be paid to the federal government. During the year IDAPP sold \$35,000,000 in demand notes backed by lines of credit with 25 Illinois lenders.

AND PREVENTING DEFAULTS

After extensive collection work, students have responded positively to collection contacts by IDAPP. Collections revenues increased by \$3,865,170 to a total of \$11,632,181. Recent changes in federal legislation dictate that IDAPP must make extensive modifications to both the collection and accounting systems. Because this new federal legislation has decreased operating revenue and increased costs, however, certain default prevention activities that would ultimately benefit the federal taxpayer must be eliminated. As one of over 1200 lenders in Illinois, we look ahead to a period in which Federal and State legislation, regulations, and audit recommendations are measured against a cost benefit standard.

At the time IDAPP was created, the Governor set an objective for IDAPP to improve student access to educational loans from commercial lenders. The attached financial statements show that the resulting partnership with 998 lenders is achieving positive results in the State of Illinois.

ILLINOIS DESIGNATED ACCOUNT PURCHASE PROGRAM STATEMENTS OF FINANCIAL POSITION

June 30

ASSETS	<u>82</u>	<u>81</u>
Cash		
Checking Account	\$ 436,697	\$ 329,414
Savings Account	2,369,570	
Student Loan Receivable	40,016,822	26,331,684
Accrued Interest Receivable	955,165	683,844
Special Allowance Receivable	856,843	773,987
Investments	22,318,577	10,891,698
Accrued Investment Income	574,167	400,540
Equipment	418,711	360,821
Accumulated Depreciation	(104,475)	(26,522)
Restricted		
Cash	624,971	698,046
Investments	19,909,778	14,258,832
Total	<u>\$88,376,826</u>	<u>\$54,702,344</u>

LIABILITIES AND PROGRAM EQUITY

LIABILITIES

Deferred Credit	\$ 286,408	
Accounts Payable	57,015	\$ 159,818
Accrued Interest Payable	1,167,791	1,038,237
Bonds Payable	42,988,753	48,447,437
Notes Payable	35,000,000	
	<u>\$79,499,967</u>	<u>\$49,645,492</u>

PROGRAM EQUITY

Retained Earnings:		
Reserved for:		
Bonds and Interest	\$12,091,233	\$11,695,901
Other Reserves	3,145,778	3,215,637
Unreserved	(6,360,152)	(9,854,686)
Total Program Equity	<u>8,876,859</u>	<u>5,056,852</u>
Total	<u>\$88,376,826</u>	<u>\$54,702,344</u>

ILLINOIS DESIGNATED ACCOUNT PURCHASE PROGRAM STATEMENTS OF REVENUES AND EXPENSES

	June 30	
	<u>1982</u>	<u>1981</u>
Operating revenues:		
Interest on loans	\$ 2,192,703	\$ 1,605,700
Special allowance and interest	3,167,520	2,259,470
	<u>\$ 5,360,223</u>	<u>\$ 3,865,170</u>
Operating expenses	1,413,958	1,125,996
Operating income	3,946,265	2,739,174
Interest on investments	3,678,680	2,617,115
Less bond interest	(3,804,938)	(2,820,526)
Net income	<u>\$ 3,820,007</u>	<u>\$ 2,535,763</u>

STATEMENT OF CHANGES IN FINANCIAL POSITION

	<u>1982</u>	<u>1981</u>
CASH AND INVESTMENTS PROVIDED BY		
Operations:		
Net income	\$ 3,820,007	\$ 2,535,763
Items which did not require outlay of cash and investments:		
Depreciation	77,953	20,133
Amortization of bond discount	121,316	102,437
Increase in:		
Accrued interest receivable	(527,804)	(1,109,788)
Accounts payable		132,458
Deferred credit	286,408	
Accrued interest payable	129,554	598,920
Reduction in accounts payable	(102,803)	
Total cash and investments provided by operations	<u>\$ 3,804,631</u>	<u>\$ 2,279,923</u>
Proceeds from sale of revenue bonds		24,500,000
Proceeds from sale of notes	35,000,000	
Repayments and reimbursements of loans	7,114,723	4,901,622
	<u>\$45,919,354</u>	<u>\$31,681,545</u>
CASH AND INVESTMENTS APPLIED TO		
Purchase of loans	\$20,799,861	\$14,084,990
Purchase of office equipment	57,890	329,504
Retirement of revenue bonds payable	5,580,000	2,035,000
	<u>\$26,437,751</u>	<u>\$16,449,494</u>
Increase (decrease) in cash and investments	<u>\$19,481,603</u>	<u>\$15,232,051</u>

See Notes to Financial Statements

IDAPP Student Loan Purchase Fund

c/o Illinois State Scholarship Commission

102 Wilmot Road, Deerfield, Ill. 60015

(312) 948-8620

CALENDAR YEAR 1986

PAY

TO THE
ORDER
OF

YOUR ELIGIBILITY IS _____ A
(FOR CALENDAR YEAR 1983)

**WRITE YOUR OWN CHECK!
(SEE BACK OF THIS CHECK FOR HOW IT WORKS.)**

BANK AND TRUST COMPANY CHICAGO, ILLINOIS

DATE	GROSS	DISCOUNT	NET AMOUNT

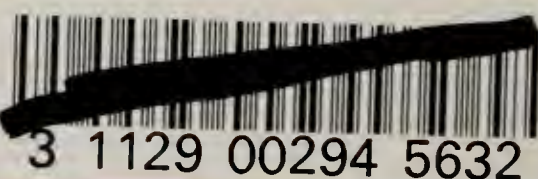
IB98.3
IDAP
1981/82
C.3

Write your own check.

It's as easy as 1-2-3!

1. Your eligibility is provided on the attached check.
2. Since the average loan size is about \$3,600* ...
3. The total \$ amount of the IDAPP check to you can be calculated based upon your decision to use it.

ILLINOIS STATE LIBRARY



Larry E. Matejka,
Executive Director

COMMISSIONERS

The Illinois State Scholarship Commission is a Governor appointed body of nine persons responsible for the administration of the Commission and its divisions, which includes the Illinois Designated Account Purchase Program:

Peter Lardner, Chairman
President, Chief Executive Officer
Bituminous Insurance Company
Bitco Corp.
Rock Island, Illinois

Luke Helm, Assistant Chairman
Assistant Principal
Du Sable High School
Chicago, Illinois

Dr. Allen Y. Baker
Optometrist
Pinckneyville, Illinois

Ms. Patricia Banks, Attorney
Chicago, Illinois

Ms. Catherine Bertini, Manager
State, Local Public Affairs
Container Corporation of America
Chicago, Illinois

David P. Eisenman
Staff Associate
Office of the Vice Chancellor
University of Illinois
Urbana, Illinois

Ms. Lois C. Mazzuca
College Consultant
Glenbrook North High School
Northbrook, Illinois

Mr. George R. Stevens
President, G.R. Stevens Enterprises
Lake Forest, Illinois

Ms. Gretchen A. Winter, Student
University of Chicago Law School
Chicago, Illinois

Created in 1977 by the Student Loan Purchase Program Law, the Illinois Designated Account Purchase Program (IDAPP), is designed to reduce the administrative cost currently born by Lenders which participate in the Guarantee Program, thereby making increased investment in Student Loans financially more attractive and therefore improve student's access to loans.

Carol Wennerdahl, Asst. Exec. Director
Director State Student Loan Programs

ADVISORS

The policies of the Purchase Program are determined by the Scholarship Commission which has empaneled the following committee of advisors having specialized knowledge in the areas of finance, law, and education:

Mr. Paul Brandel, Attorney, Board Member
Four Suburban Chicago Banks

Mr. Clayton Brown, President
Clayton Brown and Associates, Inc., Chicago, Illinois

Mr. George M. Burditt, Attorney, Past President,
Chicago Bar Association, Chicago, Illinois

Mr. Jack Emmons, President
Security Bank & Trust Company, Mt. Carmel, Illinois

Mr. Richard Ensweiler, President
Illinois Credit Union League, Bensenville, Illinois

Dr. Gene Lerner, Professor of Finance
Northwestern University, Evanston, Illinois

Mr. George M. Morvis, President
Financial Shares Corporation, Chicago, Illinois

Mr. Donald S. Ohannes, Senior Investment Manager
Allstate Insurance Company, Northbrook, Illinois

Mr. Howard Prince, Past President
Chicago Area Council of Savings Associations
Talman-Home Federal Savings and Loan, Chicago, Illinois

Mr. Michael M. Smith, C.P.A., Partner
Peat Marwick Mitchell & Co., Chicago, Illinois

Ms. Hattie S. Stewart, President
Hattie S. Stewart Associates, Evanston, Illinois

Dr. Ralph Tyler, Senior Consultant
Science Research Associates, Chicago, Illinois

Mr. Michael J. Warner
Director of Advertising & Public Relations
Bank Marketing Association, Chicago, Illinois

Mr. Joseph O. Weisenberg, C.P.A.
Roosevelt University, Chicago, Illinois